

**Senator Olympia J. Snowe**  
**Senate Finance Committee**  
*Health Care Coverage for Small Businesses: Challenges and Opportunities*  
April 6, 2006

**Mr. Chairman, thank you. The small business health insurance crisis is real and is an undue burden on entrepreneurs throughout America. This is not a crisis that appeared overnight. Nearly 46 million Americans are now uninsured. And for the past decade – as health insurance premiums have increased at double digit percentage levels and far outpaced inflation and wage gains – Congress has failed to act. Even when study after study confirms beyond a doubt that fewer and fewer small businesses are able to offer health insurance to their employees, little has been done to alleviate the problem. Quite simply, that’s outrageous.**

**Mr. Chairman, the time for talking has long since passed. No more excuses, no more laments, no more complaining, no more describing a problem and doing nothing about it. I think we all can agree that we must provide small businesses in Maine, Montana, and Iowa – and in every state across our great land – with access to quality, affordable health insurance.**

**The time has come for action - not words that have long surpassed their usefulness - to deliver small businesses from this crisis. I hope my colleagues on the other side of the aisle don’t just recite more partisan rhetoric and more misleading claims that have led reasonable people to believe the only way we can solve this crisis is to greatly expand and further complicate and confuse our nation’s *already-complicated and confusing* health care bureaucracy.**

**Unfortunately, the approach espoused by Senators Durbin and Lincoln would create a national health insurance plan, operated and administered by the Federal government. Their approach represents a major expansion of the Federal administrative state, and would create an unfair, unlevel and unintelligible playing field for small businesses and insurance companies. *Who is***

*going to pay for this new federal bureaucracy?*

**I believe that we need to focus on solutions that are achievable, tested, and fiscally prudent. I have introduced legislation, the Small Business Health Fairness Act, that would achieve this goal, through a common sense approach that would allow small businesses to pool together nationally, through Small Business Health Plans (SBHPs) that provide employees with quality health insurance at affordable costs. SBHPs will bring fairness to employer health coverage by giving participating small businesses the same advantages of Federal law currently enjoyed by larger businesses and unions.**

**Contrary to opponents of this concept who have engaged in a pattern of myths, distortions, and outright falsehoods in claiming that SBHPs would lead to “cherry picking” of only the young and healthy, SBHP legislation *specifically* requires that association plans must be open to all members. Let me repeat that: SBHP legislation *specifically* requires that association plans must be open to all members. And *each* employer who participates in the plan *must* offer the plan to *every* eligible employee – at the risk of fines and even imprisonment of up to 5 years.**

**I am encouraged by the considerable progress that has been made on SBHPs in this Senate – we’re further along on this issue than we have ever been. But we need to go the distance, which is passing legislation that President Bush can finally sign into law. I would like to commend Senator Mike Enzi for his ongoing commitment to the SBHP issue, and for successfully marking-up SBHP legislation in the Health, Education, Labor, and Pensions Committee.**

**I believe that Senator Enzi’s bill is a good step forward so that we can consider this important issue on the Senate floor. I do, however, have a number of concerns with Senator Enzi’s approach. First, Senator Enzi’s bill fails to include a self-insured SBHP component. The ability for an SBHP to self-insure,**

like a large employer can, is a key component of my bill. It would inject much-needed competition into stagnant, dysfunctional small group insurance markets. It would also provide more options for small businesses when it comes to providing quality, affordable health insurance for their employees. To opponents of this approach I ask: *What's wrong with competition? What's wrong with giving small businesses more choices when it comes to purchasing health insurance?*

Second, I am concerned that a national rating standard would preempt the states' rights to regulate insurance within their borders. Under my SBHP legislation, the state insurance commissioners would rate insurance products sold in their states. Many states, including my home state of Maine, have opted to rate insurance products based on the most recent standard put out by the National Association Insurance Commissioners.

I also have some concerns with the way Senator Enzi's bill addresses the benefit mandate approach. I believe that associations ought to be able to tailor their SBHPs to the wants, needs, and desires of their members, but I have concerns that the high-option, low-cost option approach might lead to adverse selection and an unlevel playing field. And that the high-option approach might be priced far beyond the reach of a typical small business.

In the final analysis, I strongly believe that SBHPs are an idea whose time has finally come. And I look forward to debating the SBHP issue on the Senate floor in the coming weeks, and to working with my colleagues on both sides of the political aisle to fashion a bipartisan solution to this crisis.

While SBHPs are a crucial solution, they are not the *entire* solution. Today I would like to discuss several additional steps that this Committee can take, in addition to SBHPs, to help reduce the ranks of America's nearly 46 million uninsured. These steps are commonsense. They are achievable. They don't add layer upon layer to a health care bureaucracy that has no shortage of red tape.

**And they don't call for a national health insurance program, operated and administered by the Federal government.**

**Instead, we should use the tax code to help resolve the small business health insurance crisis. Just last week I introduced the Small Business Health Insurance Relief Act (S. 2457), a bill that would both (1) provide targeted tax incentives that would encourage our nation's smallest businesses to offer health insurance; and (2) inject much-needed competition into dysfunctional state small group markets.**

**Our nation's smallest businesses – the “micro” businesses – are the ones least likely to offer health insurance as a workplace benefit. According to the Kaiser Family Foundation's *Employer Health Benefits 2005 Annual Survey*: only 47 percent of the smallest businesses, those with 3 to 9 workers, now offer health insurance as a workplace benefit. This is down from 52 percent in 2004, and 58 percent in 2002. Clearly, for small businesses, things are trending in the wrong direction. In sharp contrast, 98 percent of larger businesses, those with 200 or more workers, offer health insurance as a benefit.**

**My legislation would establish a targeted tax credit that would encourage the smallest businesses – those most desperately in need of relief – to purchase insurance coverage for their employees. The maximum tax credit under the proposal would be \$1,500 for single coverage and \$3,000 for family coverage. The tax credit would phase out as a business increases in size and is neutral between types of insurance: either traditional employer-sponsored health insurance or funding health savings accounts (HSAs) of their employees.**

**Under my legislation, a small business with five employees would be eligible for a per-participant tax credit of \$3,000 for a family health insurance plan, and a potential total tax credit of \$15,000. Small businesses cite escalating cost as the number one impediment to providing health insurance. Putting \$15,000 in the hands of a small business owner could certainly help to overcome this barrier.**

**Second, my legislation would increase competition in state small group health insurance markets. There is no competition among insurers in the small group markets, with coverage and affordability the real problems. A Government Accountability Office (GAO) survey I recently requested, along with Senators Christopher Bond and Jim Talent, reported a frightening consolidation of control over state insurance markets. The five largest carriers now have more than 75 percent market share in 26 states (up from 19 in 2002) and more than 90 percent market share in 12 states (as opposed to 7 in 2002). Blue Cross and Blue Shield carriers now control 43 percent of the small group markets (up from 33 percent in 2002).**

**In my home state of Maine, Anthem Blue Cross now controls 63 percent of the small group market, and the five largest carriers put together dominate 98 percent.**

**To counter this market consolidation, my legislation would provide insurers with a 50 percent tax deduction for claims and expenses incurred in serving the small group market or Small Business Health Plans (SBHPs) and would provide a per state tax credit to defray the cost of state licensing requirements. These incentives are open to all insurers, and would motivate new insurers to enter and compete in the dysfunctional small group market and service SBHPs.**

**Together with SBHP legislation, I believe that these proposals could help solve the small business health insurance crisis. Simply put, our small businesses need choices as they seek to obtain affordable health insurance. In the coming weeks, I look forward to working in a bipartisan fashion, with my colleagues on both sides of the aisle, to push these proposals through the Senate.**

**I look forward to hearing the ideas and reactions of this distinguished panel.**

**Thank you, Mr. Chairman.**